

**Consultation Paper**

**Innovators Growth Platform (IGP)**

***Norms for Companies listed on IGP to trade under regular category of main board of Recognized Stock Exchanges***

**1. BACKGROUND**

- 1.1. The SEBI Board, in its meeting on December 12, 2018, approved the proposed amendments pertaining to Institutional Trading Platform (“ITP”) in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“ICDR Regulations”).
- 1.2. One of the proposed amendments is that the companies listed on the IGP would have an option to trade under regular category of main board after completion of one year of listing and subject to compliance with exchange requirements.
- 1.3. The norms for shifting of a Company listed on IGP to regular trade category of the main board were discussed with the Bombay Stock Exchange, the National Stock Exchange and with the Primary Market Advisory Committee (PMAC) of SEBI.
- 1.4. After detailed deliberations, the norms for allowing Companies listed on IGP to trade under regular category of the main board were arrived at and are as proposed under.

**2. Proposals**

**A. General conditions for Companies listed on IGP to trade under regular category of main board of Stock Exchanges**

- I. The Company should have been listed on the Innovators Growth Platform for a minimum period of one year.
- II. At the time of making the application for trading under regular category of main board, the number of shareholders should be minimum 200.

- III. The company, any of its promoters, promoter group or directors are not debarred from accessing the capital market by the Board.
- IV. None of the promoters or directors of the company is a promoter or director of any other company which is debarred from accessing the capital market by the Board.
- V. The company or any of its promoters or directors is not a wilful defaulter.
- VI. None of the promoters or directors of the Company is a fugitive economic offender.

**B. Other Eligibility requirements for Companies listed on IGP to trade under regular category of main board of Stock Exchanges**

Regulation 6(1) and 6(2) of the ICDR Regulations lay down the framework for initial listing of companies on the main board (*Detailed provisions of Regulation 6 is placed at Annex-A*). Companies listed on IGP, which propose to move to the regular category of main board will have to meet the requirements mentioned in Regulation 6(1) of the ICDR Regulations.

The Companies which do not meet the requirements mentioned in Regulation 6(1) of the said Regulations, are eligible to move to the regular category of main board, after fulfilling the conditions under Regulation 6(2) of the ICDR Regulations. However, the requirement related to restated accounts shall not apply to such companies since they would already be listed on the IGP. Further, shares held by Qualified Institutional Buyers (QIBs) should be considered in place of allotment to QIBs as required in Regulation 6(2) of the ICDR Regulations. Since the company would be already an IGP listed Company, the requirements of book building shall also not apply.

**C. Lock –in requirements**

**a. Minimum promoter contribution**

Minimum promoters' contribution shall be 20% of the total capital. In case the total capital held by the promoters is less than twenty per cent., alternative investment funds or foreign venture capital investors or scheduled



commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India may contribute to meet the shortfall in minimum contribution as specified for the promoters, subject to a maximum of ten per cent. of the total capital without being identified as promoter(s).

**b. Lock-in period**

- (i) Minimum promoters' contribution including contribution made by alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India, shall be locked in for a period of three years from the date on which trading approval in main board is granted, and any excess over and above the 20% of promoter's holding shall be locked-in for a period of one year.
- (ii) wherever such entities have served a lock-in period of 6 months at the time of listing of shares of the Company on the IGP, and are desirous of moving to the regular trade category of the main board after completion of listing on the IGP for one year, such period shall be deducted from the stipulated lock-in requirements of three years and one year, as may be applicable.
- (iii) The condition of lock in would not apply for Company which has been listed on the IGP for a minimum period of 3 years or more.

**3. Rationale**

- (a) The eligibility norms proposed for permitting Companies listed on IGP to trade in the main board after completion of one year of listing are broadly in line with the eligibility conditions laid down in Regulation 5(1) of the ICDR Regulations (Para 2.A. III-VI) , Regulation 6(1) and Regulation 6(2) of the ICDR Regulations (Para B). The said Regulations 5(1), 6(1) and 6(2) of the ICDR Regulations lay down the

framework for initial listing of companies on the main board.

(b) The lock-in requirements proposed in Para C are broadly in line with requirements of ICDR Regulations.

#### 4. **Public comments**

Considering the implications of the said matter on the market participants including issuers and investors, public comments are invited on the proposals contained in the discussion paper. Specific comments/suggestions as per the format given below would be highly appreciated:

<b>Name of entity / person / intermediary/ Organization:</b>			
<b>Sr. No.</b>	<b>Pertains to serial number under paragraph (2)</b>	<b>Suggestion(s)</b>	<b>Rationale</b>

The comments may please be e-mailed on or before June 10, 2019, to Ms. Aradhana Verma, Deputy General Manager, at [aradhanad@sebi.gov.in](mailto:aradhanad@sebi.gov.in) or sent by post, to:

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**Eligibility requirements for an initial public offer**

6. (1) An issuer shall be eligible to make an initial public offer only if:

- a) it has net tangible assets of at least three crore rupees, calculated on a restated and consolidated basis, in each of the preceding three full years (of twelve months each), of which not more than fifty per cent. are held in monetary assets:

**Provided that** if more than fifty per cent. of the net tangible assets are held in monetary assets, the issuer has utilised or made firm commitments to utilise such excess monetary assets in its business or project;

**Provided further that** the limit of fifty per cent. on monetary assets shall not be applicable in case the initial public offer is made entirely through an offer for sale.

- b) it has an average operating profit of at least fifteen crore rupees, calculated on a restated and consolidated basis, during the preceding three years (of twelve months each), with operating profit in each of these preceding three years;

- c) it has a net worth of at least one crore rupees in each of the preceding three full years (of twelve months each), calculated on a restated and consolidated basis;

- d) if it has changed its name within the last one year, at least fifty per cent. of the revenue, calculated on a restated and consolidated basis, for the preceding one full year has been earned by it from the activity indicated by its new name.

(2) An issuer not satisfying the condition stipulated in sub-regulation (1) shall be eligible to make an initial public offer only if the issue is made through the book-building process and the issuer undertakes to allot at least seventy five per cent. of the net offer to qualified institutional buyers and to refund the full subscription money if it fails to do so.